

# DOES SOCIAL SECURITY REALLY FACE A \$10 TRILLION DEFICIT?

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## RHETORIC

When asked about the \$2 trillion in “transition” costs associated with the Republican proposal for private accounts, White House Press Secretary Scott McClellan recently stated:

*“The cost is \$10 trillion if we do nothing.”* [FDCH 12/6/04]

And at a recent event, Vice President Cheney said:

*“Again, the projected shortfall on Social Security exceeds \$10 trillion. That figure is nearly twice the combined wages and salaries of every single working American last year.”* [FDCH 1/14/05]

The White House is using this argument to justify their proposal to radically overhaul Social Security, a proposal which includes benefit cuts of almost 50 percent and \$2 trillion dollars in additional debt to foreign countries.

## REALITY

But is what the White House says true? Here’s what David Walker, Comptroller General of the GAO, has to say about the Republican argument that spending \$2 trillion to create private accounts will end the shortfall Social Security is facing with the retirement of the baby boom:

*“The creation of private accounts for Social Security will not deal with the solvency and sustainability of the Social Security fund.”* [New York Times, 12/14/04]

Here’s what the American Academy of Actuaries has to say about the \$10 trillion estimate:

*The American Academy of Actuaries has rejected such estimates, saying they provide “little if any useful information about the program’s long-term finances and indeed are likely to mislead [people]...into thinking the program is in far worse financial shape than is actually indicated.”*  
[[www.actuary.org/pdf/socialsecurity/tech\\_dec03.pdf](http://www.actuary.org/pdf/socialsecurity/tech_dec03.pdf)]

And here’s why:

- **You can’t spend \$2 trillion to save \$10 trillion – private accounts simply drive Social Security deeper into deficit.** In the Republican plans, it is the 46 percent cut in guaranteed Social Security benefits that close the shortfall in Social Security. The \$2 trillion Republicans want to borrow to finance “private retirement accounts” has nothing to do with strengthening Social Security. In fact, it would worsen the shortfall by diverting revenues from the Social Security Trust Funds. Because the \$2 trillion is in addition to the alleged \$10 trillion, not in place of it, borrowing approximately \$2 trillion to cover the costs of privatization does nothing to solve the alleged \$10 trillion problem. It just makes it worse.
- **The \$10 trillion figure is based on an infinite timeframe.** The \$10 trillion is the total Social Security shortfall forever – an unreliable number according to the actuaries. And the \$2 trillion only pays for the first of several decades of transition costs. So not only is the \$10 trillion numbers unreliable, it’s not even comparable to the \$2 trillion cost estimate for private accounts.